

UNITED STATES BANKRUPTCY COURT

MOR-1

CASE NAME: Texas Standard Oil Company
CASE NUMBER: 08-34031-H4-11
PROPOSED PLAN DATE:

PETITION DATE: 6/26/2008 0:00
DISTRICT OF TEXAS: Southern
DIVISION: Region 7

MONTHLY OPERATING REPORT SUMMARY FOR MONTH DEC YEAR 2008

MONTH	Jul-08	Aug-08	30-Sep	31-Oct	30-Nov	31-Dec
REVENUES (MOR-6)	34,096.85	14,836.81	15,130.21	9,227.18	2,809.79	834.54
INCOME BEFORE INT. DEPREC./TAX (MOR-6)	-143,018.46	-410,533.26	-52,269.07	339,626.03	-34,632.27	-18,298.80
NET INCOME (LOSS) (MOR-6)	-144,518.93	-411,533.73	-52,744.26	346,495.03	-33,894.42	-17,133.81
PAYMENTS TO INSIDERS (MOR-9)	0.00	0.00	0.00	0.00	0.00	0.00
PAYMENTS TO PROFESSIONALS (MOR-9)	0.00	0.00	0.00	0.00	0.00	5,213.11
TOTAL DISBURSEMENTS (MOR-8)	7,340.51	93,393.34	11,392.36	18,043.95	12,080.45	10,610.03

*** The original of this document must be filed with the United States Bankruptcy Court and a copy must be sent to the United States Trustee***

REQUIRED INSURANCE MAINTAINED AS OF SIGNATURE DATE **	EXP. DATE
CASUALTY	YES () NO (X)
LIABILITY	YES () NO (X)
VEHICLE	YES () NO (X)
WORKERS	YES () NO (X)
OTHER	YES () NO (X)

Are all accounts receivable being collected within terms? ☐ Yes ☐ No
Are all post-petition liabilities, including taxes, being paid within terms? ☐ Yes ☐ No
Have any pre-petition liabilities been paid? ☐ Yes ☐ No
If so, describe _____
Are all funds received being deposited into DIP bank accounts? ☐ Yes ☐ No
Were any assets disposed of outside the normal course of business? ☐ Yes ☐ No
If so, describe _____
Are all U.S. Trustee Quarterly Fee Payments current? ☐ Yes ☐ No
What is the status of your Plan of Reorganization? Filed 11/26/08

ATTORNEY NAME: Heather McInyre

FIRM NAME: HughesPattersonLawrence

ADDRESS: 333 Clay, 29th Floor

CITY, STATE, ZIP: Houston, TX 77002

TELEPHONE/FAX: 713-328-2830 / 713-759-6834

I certify under penalty of perjury that the following complete Monthly Operating Report (MOR), consisting of MOR-1 through MOR-9 plus attachments, is true and correct.

SIGNED x Pat Johnson TITLE: Accountant

(ORIGINAL SIGNATURE)

Pat Johnson

(PRINT NAME OF SIGNATORY)

DATE 01/12/09

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* Except for expense reimbursement (approximately \$2,600) from MOSH Holding, LP which is expected to be paid in Jan '09.
** It is not customary in debtor's business of oil & gas exploration for debtor to carry insurance. Based on information and belief, operators of leases in which debtor has oil and gas interests carry insurance covering the debtor's interest.

CASE NAME: Texas Standard Oil Company
CASE NUMBER: 08-34031-14-11

COMPARATIVE BALANCE SHEETS

ASSETS	FILING DATE*	MONTH Jul-08	MONTH Aug-08	MONTH Sep-08	MONTH Oct-08	MONTH Nov-08	MONTH Dec-08
CURRENT ASSETS							
Cash	37,874.01	62,869.92	35,400.73	27,429.57	34,678.30	28,881.35	24,508.49
Accounts Receivable, Net	549,835.14	551,714.72	551,718.71	564,875.11	554,581.01	552,591.19	549,287.51
Inventory: Lower of Cost or Market							
Prepaid Expenses							
Investments							
Other							
TOTAL CURRENT ASSETS	587,709.15	614,584.64	587,119.44	592,304.68	589,259.31	581,472.54	573,796.00
PROPERTY, PLANT & EQUIP. @ COST **	132,336.83	132,336.83	217,536.83	219,118.83	74,804.21	74,804.21	74,804.21
Less Accumulated Depreciation	69,099.56	70,799.86	72,500.16	74,200.46	71,048.61	71,535.87	72,023.08
NET BOOK VALUE OF PP & E	63,237.27	61,536.97	145,036.67	144,918.37	3,755.60	3,268.34	2,781.13
OTHER ASSETS							
1. Tax Deposits							
2. Capitalized Office Lease Improvements BV	40,208.40	40,107.40	40,006.40	39,905.40	39,804.40	39,703.40	39,602.40
3. Electric Deposit							
4. Rent Deposit	4,478.73	4,478.73	4,478.73	4,478.73	4,478.73	4,478.73	4,478.73
TOTAL ASSETS	\$695,633.55	\$720,707.74	\$776,641.24	\$781,607.18	\$637,298.04	\$628,923.01	\$620,658.26

* Per Schedules and Statement of Affairs as amended

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** PP&E figures do not include drilling costs as these costs are expensed and therefore not shown on the Balance Sheet.

PP&E figures include costs for Undeveloped Leasehold, capitalized Geological & Geophysical (seismic) and Lease & Well Equipment.

Oct-08: During this month, debtor wrote off \$85,200 drilling costs and \$16,249.63 leasehold costs for Trumbles Up Prospect due to fact that BP America #1 well was determined to be non-producing.

These amounts went to Dry Hole Costs and were thus removed from PP&E.

Oct-08: During this month, debtor wrote off \$42,864.99 leasehold costs for Overpass Prospect to Dry Hole Costs (and thus removed from PP&E) based on information and belief that this is not a viable prospect.

CASE NAME: Texas Standard Oil Company
CASE NUMBER: 08-34031-H4-11

COMPARATIVE BALANCE SHEETS

LIABILITIES & OWNER'S EQUITY	FILING DATE*	MONTH Jul-08	MONTH Aug-08	MONTH Sep-08	MONTH Oct-08	MONTH Nov-08	MONTH Dec-08
LIABILITIES							
POST-PETITION LIABILITIES (MOR-4)		169,602.45	586,968.88	644,779.88	153,975.71	179,495.10	188,364.16
PRE-PETITION LIABILITIES							
Notes Payable - Secured	0.00	0.00					
Priority Debt	21,900.00	21,900.00	21,900.00	21,900.00	21,900.00	21,900.00	21,900.00
Federal Income Tax	0.00	0.00					
FICA/Withholding	0.00	0.00					
Unsecured Debt *	1,346,966.55	1,346,957.22	1,346,957.22	1,346,957.22	1,346,957.22	1,346,957.22	1,346,957.22
Other							
TOTAL PRE-PETITION LIABILITIES *	1,368,866.55	1,368,857.22	1,368,857.22	1,368,857.22	1,368,857.22	1,368,857.22	1,368,857.22
TOTAL LIABILITIES	1,368,866.55	1,538,459.67	1,955,826.10	2,013,637.10	1,522,832.93	1,548,352.32	1,557,221.38
OWNER'S EQUITY (DEFICIT)							
PREFERRED STOCK							
COMMON STOCK							
ADDITIONAL PAID-IN CAPITAL	1,680.67	1,680.67	51,680.67	51,680.67	51,680.67	51,680.67	51,680.67
RETAINED EARNINGS: Filing Date	(674,913.67)	(674,913.67)	(674,913.67)	(674,913.67)	(674,913.67)	(674,913.67)	(674,913.67)
RETAINED EARNINGS: Post Filing Date	(144,518.93)	(556,052.66)	(608,796.92)	(262,301.89)	(296,196.31)	(313,330.12)	(313,330.12)
TOTAL OWNER'S EQUITY (NET WORTH)	(673,233.00)	(817,751.93)	(1,179,285.66)	(1,232,029.92)	(885,534.89)	(919,429.31)	(936,563.12)
TOTAL							
LIABILITIES & OWNERS EQUITY	\$695,633.55	\$720,707.74	\$776,540.44	\$781,607.18	\$637,298.04	\$628,923.01	\$620,658.26

* Per Schedules and Statement of Affairs

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* Judgments are not included in this statement as they are encompassed by Joint Interest Billing Statements which statements are disputed (which amounts are included).

CASE NAME: Texas Standard Oil Company
CASE NUMBER: 08-34031-H4-11

SCHEDULE OF POST-PETITION LIABILITIES

	MONTH Jul-08	MONTH Aug-08	MONTH Sep-08	MONTH Oct-08	MONTH Nov-08	MONTH Dec-08
TRADE ACCOUNTS PAYABLE **	156,785.95	564,706.14	611,827.85	77,361.26	79,434.77	77,602.42
TAX PAYABLE						
Federal Payroll Taxes						
State Payroll Taxes					454.41	
Ad Valorem Taxes						
Other Taxes						0.00
TOTAL TAXES PAYABLE	0.00	0.00	0.00	0.00	454.41	0.00
SECURED DEBT POST-PETITION						
ACCRUED INTEREST PAYABLE	246.80	493.60	732.44	979.24	1,218.08	1,464.88
ACCRUED PROFESSIONAL FEES *						
OTHER ACCRUED LIABILITIES						
1. Accountant Professional Fees *				5,213.11	5,213.11	
2. Bankruptcy Counsel Professional Fees *	12,569.70	21,769.14	32,219.59	70,422.10	93,174.73	109,296.86
3.						
TOTAL POST-PETITION LIABILITIES (MOR-3)	\$169,602.45	\$586,968.88	\$644,779.88	\$153,975.71	\$179,495.10	\$188,364.16

* Payment requires Court Approval

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** Jul-08: This amount includes the \$120,896.96 Jul-08 Mariner JIB and the \$35,124.78 Jun-08 Mariner JIB which are subject to the Lawsuit and Appeal. Debtor believes these amounts are contrary to the judgment currently on appeal. Jul-08 amount differs from Jul-08 amount on prior MORs due to Jun-08 Mariner JIB being received Nov 13, 2008.
Aug-08: This amount includes the \$406,7963.17 Aug-08 Mariner JIB, the \$120,896.96 Jul-08 Mariner JIB and the \$35,124.78 Jun-08 Mariner JIB which are subject to the Lawsuit and Appeal. Debtor believes these amounts are contrary to the judgment.
Sep-08: This amount includes the \$43,895.55 Sep-08 Mariner JIB, the \$406,7963.17 Aug-08 Mariner JIB, the \$120,896.96 Jul-08 Mariner JIB and the \$35,124.78 Jun-08 Mariner JIB which are subject to the Lawsuit and Appeal. Debtor believes these amounts are contrary to the judgment.
Oct-08: This amount includes Mariner JIBs from Jun-08 through Oct-08 which are subject to the Lawsuit and Appeal. Debtor believes these amounts are contrary to the judgment.
The reduction from Sep-08 to Oct-08 results primarily from Oct-08 Mariner JIB credits of ~\$641,285.14~.

CASE NAME: Texas Standard Oil Company
CASE NUMBER: 08-34031-H4-11

AGING OF POST-PETITION LIABILITIES
MONTH Dec-08

DAYS	TOTAL	TRADE ACCOUNTS	FEDERAL TAXES	STATE TAXES	AD VALOREM, OTHER TAXES	MONTH
0-30	2,181.42	2,181.42	0.00	0.00	0.00	
31-60 *	0.00		0.00	0.00	0.00	
61-90	-531,994.36	-531,994.36	0.00	0.00	0.00	
91+	607,415.36	607,415.36	0.00	0.00	0.00	
TOTAL	\$77,602.42	\$77,602.42	\$0.00	\$0.00	\$0.00	\$0.00

AGING OF ACCOUNTS RECEIVABLE

MONTH	Dec-08				
0-30 DAYS					
31-60 DAYS					
61-90 DAYS					
91+ DAYS	549,287.51				
TOTAL	\$549,287.51	\$0.00	\$0.00	\$0.00	\$0.00

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* The negative amount results primarily from the negative Oct-08 Mariner JIB in the amount of <\$532,117.22>.

Debtor remains current on all post-petition charges with the exception of JIBs generated by Mariner which are subject to the Lawsuit and Appeal.
Debtor believes the JIBs are contrary to the judgment on appeal.

CASE NAME: Texas Standard Oil Company
CASE NUMBER: 08-34031-H4-11

STATEMENT OF INCOME (LOSS)

	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	FILING TO
	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08			DATE
REVENUES (MOR-1) ***	34,096.85	14,836.81	15,130.21	9,227.18	2,809.79	834.54			76,935.38
TOTAL COST OF REVENUES ***	158,126.11	408,833.58	45,720.52	-387,548.71	3,441.93	-2,443.93			226,129.50
GROSS PROFIT	-124,029.26	-393,996.77	-30,590.31	396,775.89	-632.14	3,278.47			-149,194.12
OPERATING EXPENSES:									
Selling & Marketing									0.00
General & Administrative	6,419.50	7,337.05	11,228.31	13,734.24	11,247.50	5,455.14			55,421.74
Insiders Compensation									0.00
Professional Fees	12,569.70	9,199.44	10,450.45	43,415.62	22,752.63	16,122.13			114,509.97
Other									0.00
Other									0.00
TOTAL OPERATING EXPENSES	18,989.20	16,536.49	21,678.76	57,149.86	34,000.13	21,577.27			169,931.71
INCOME BEFORE INT. DEPR/TAX (MOR-1)	-143,018.46	-410,533.26	-52,269.07	339,626.03	-34,632.27	-18,298.80			-319,125.83
INTEREST EXPENSE	246.80	246.80	238.84	246.80	238.84	246.80			1,464.88
DEPRECIATION	1,801.30	1,801.30	1,801.30	-3,050.85	588.26	588.21			3,529.52
OTHER (INCOME) EXPENSE*	-547.63	-1,047.63	-1,564.95	-4,064.95	-1,564.95	-2,000.00			-10,790.11
OTHER ITEMS**									0.00
TOTAL INT. DEPR. & OTHER ITEMS	1,500.47	1,000.47	475.19	-6,869.00	-737.85	-1,164.99			-5,795.71
NET INCOME BEFORE TAXES	-144,518.93	-411,533.73	-52,744.26	346,495.03	-33,894.42	-17,133.81			-313,330.12
FEDERAL INCOME TAXES									0.00
NET INCOME (LOSS) (MOR-1)	(\$144,518.93)	(\$411,533.73)	(\$52,744.26)	\$346,495.03	(\$33,894.42)	(\$17,133.81)			(\$313,330.12)

Actual Accounting Required. Otherwise Footnote with Explanation

* Footnote Mandatory.

** Unusual and/or infrequent item(s) outside the ordinary course of business requires footnote.

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* Rent reimbursement

*** \$74,596.24 of the \$225,131.50 "Filing to Date" amount represents Mariner JIB costs for WD 34 and HI A 551552. These costs are subject to the Forest lawsuit and which debtor believes is contrary to the judgment on appeal.

*** Jul-08: \$156,021.74 of this \$158,126.11 results from Mariner JIB charges.

*** Aug-08: \$406,798.17 of this \$408,833.58 results from Mariner JIB charges.

*** Sep-08: \$43,895.55 of this \$45,720.52 results from Mariner JIB charges.

*** Oct-08: <\$541,285.14> of this <\$387,548.71> results from Mariner JIB in which Mariner reversed Post-Petition charges billed on 06/08, 07/08, 08/08 & 09/08 Joint Interest Billings. The magnitude of these charges and reversal call into question the validity of all 2008 Mariner Joint Interest Billing statements as a number of these charges appear to be duplicative of charges included in the judgment.

*** Nov-08: No Mariner JIB was received.

*** Dec-08: No Mariner JIB was received and a refund was received for Thumbs Up Dry Hole Costs.

**** Nov-08 revenues reflect oil & gas production from Sep-08 which was minimal due to disruption by Hurricanes Gustav and Ike.

**** Dec-08 revenues reflect oil & gas production from Oct-08 which was minimal due to disruption by Hurricanes Gustav and Ike.

CASE NAME: Texas Standard Oil Company
CASE NUMBER: 08-34031-H4-11

CASE RECEIPTS AND DISBURSEMENTS	MONTH		MONTH		MONTH		MONTH		MONTH		MONTH		FILING TO DATE
	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	
1. CASH-BEGINNING OF MONTH	\$37,816.15	\$62,869.92	\$35,290.73	\$27,329.57	\$34,588.30	\$28,801.35							\$37,816.15
RECEIPTS:													
2. CASH SALES	31,846.65	14,766.52	1,883.57	22,897.28	4,728.55	3,672.22	79,794.79						
3. COLLECTION OF ACCOUNTS RECEIVABLE	547.63	1,047.63	1,547.63	2,405.40	1,564.95	2,564.95	9,678.19						
4. LOANS & ADVANCES (attach list)	0.00						0.00						
5. SALE OF ASSETS	0.00						0.00						
6. OTHER (attach list) ***	0.00	50,000.00					50,000.00						
TOTAL RECEIPTS**	32,394.28	65,814.15	3,431.20	25,302.68	6,293.50	6,237.17	139,472.98						0.00
(Withdrawal) Contribution by Individual Debtor MER-2*													
DISBURSEMENTS:													
7. NET PAYROLL	0.00						0.00						0.00
8. PAYROLL TAXES PAID	0.00						0.00						0.00
9. SALES, USE & OTHER TAXES PAID	0.00						454.41						454.41
10. SECURED RENTAL LEASES	4,631.39	5,001.02	7,756.44	6,873.92	6,856.42	-695.49	30,423.70						
11. UTILITIES & TELEPHONE	279.40	1,244.77	487.53	715.01	1,561.20		4,287.91						
12. INSURANCE							0.00						0.00
13. INVENTORY PURCHASES							0.00						0.00
14. VEHICLE EXPENSES							0.00						0.00
15. TRAVEL & ENTERTAINMENT	644.51		481.84	611.86	137.28	67.89	1,943.38						
16. REPAIRS, MAINTENANCE & SUPPLIES	1,460.21	805.77	126.31	1,010.47	942.16	983.91	5,328.83						
17. ADMINISTRATIVE & SELLING		1,141.78	2,540.24	7,207.69	2,583.39	4,586.20	18,059.30						
18. OTHER (attach list) ****		85,200.00					85,200.00						
TOTAL DISBURSEMENTS FROM OPERATIONS	7,015.51	93,393.34	11,392.36	16,418.95	12,080.45	5,396.92	145,697.53						
19. PROFESSIONAL FEES							5,213.11						
20. U.S. TRUSTEE FEES	325.00			1,625.00			1,950.00						
21. OTHER REORGANIZATION EXPENSES (attach list)							0.00						
TOTAL DISBURSEMENTS**	7,340.51	93,393.34	11,392.36	18,043.95	12,080.45	10,610.03	152,860.64						
22. NET CASH FLOW	25,053.77	-27,579.19	-7,961.16	7,258.73	-5,786.95	-4,372.86	-13,387.66						
23. CASH - END OF MONTH (MOR-2)	\$62,869.92	\$35,290.73	\$27,329.57	\$34,588.30	\$28,801.35	\$24,428.49	\$24,428.49						

* Applies to individual debtors only

**Numbers for the current month should balance (match)

RECEIPTS and CHECKS/OTHER DISBURSEMENTS lines on MOR-8

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*** Capital Contributions:

Tim Roberson	24,985
Idyllette Roberson	60
Chip Langston	12,150
Lulan Langston	8,100
Charles Sharman	4,695
	50,000

**** Thumbs Up IDC

85,200

CASE NAME: Texas Standard Oil Company
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CASH ACCOUNT RECONCILIATION

MONTH OF Dec-08

BANK NAME	Encore Bank	#	PAYROLL	Encore Bank	
ACCOUNT NUMBER	#30323489			#30323497	
ACCOUNT TYPE	OPERATING			TAX	
BANK BALANCE	24,438.49			70.00	\$24,508.49
DEPOSITS IN TRANSIT					\$0.00
OUTSTANDING CHECKS	0.00				\$0.00
ADJUSTED BANK BALANCE	\$24,438.49		\$0.00	\$70.00	\$24,508.49
BEGINNING CASH - PER BOOKS	28,801.35			80.00	\$28,881.35
RECEIPTS*	6,237.17				\$6,237.17
TRANSFERS BETWEEN ACCOUNTS					\$0.00
(WITHDRAWAL) OR CONTRIBUTION BY					\$0.00
INDIVIDUAL DEBTOR MFR-2					\$0.00
CHECKS/OTHER DISBURSEMENTS*	10,600.03			10.00	\$10,610.03
ENDING CASH - PER BOOKS	\$24,438.49		\$0.00	\$70.00	\$24,508.49

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*Numbers should balance (match) TOTAL RECEIPTS and
TOTAL DISBURSEMENTS lines on MOR-7

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CASE NAME: Texas Standard Oil Company
CASE NUMBER: 08-34031-H4-11

PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown for the month, list the amount paid to insiders (as defined in Section 101(31)(A)-(F) of the U.S. Bankruptcy Code) and the professionals. Also, for insiders, identify the type of compensation paid (e.g., salary, commission, bonus, etc.) (Attach additional pages as necessary).

INSIDERS: NAME/COMP TYPE	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
1.	0.00	0.00	0.00	0.00	0.00	0.00
2.						
3.						
4.						
5.						
6.						
TOTAL INSIDERS (MOR-1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

PROFESSIONALS	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
1. Merrill Littlewood - CPA	0.00	0.00	0.00	0.00	0.00	5,213.11
2.						
3.						
4.						
5.						
6.						
TOTAL PROFESSIONALS (MOR-1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,213.11

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Revised 07/01/98